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CONSEQUENCES OF CORRUPTION ON LOCAL ECONOMIC DEVELOPMENT

Abstract

Dealing with corruption on small local government it is complex matter. Countries that have remained for long periods in transition process tend to be more exposed and vulnerable to corruption. This research paper deals with form of corruption and the consequences of corruption on local economic development. Local governments need effectively and efficiently to use financial, human and natural resources to increase rate of local economic development. As a most know types of corruption found on local government are types such as bribery, extortion, embezzlement, nepotism, and patronage system. The focus of this paper will be the Municipalities in Republic of Macedonia. Authors suggests that whilst it is difficult to ascertain the exact impact and consequences of corruption on local development, we should be aware that in the absence of corruption greater and more sustained levels of local development can be achieved. The authors will perform a quantitative and qualitative research using questionnaire as a method for gathering information and data from citizens to get their opinion toward corruption on their municipality, evaluate their trust towards official people that are responsible

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for minimizing corruption on their municipalities and to analyze consequences of corruption on local economic development.

Key words: *Corruption, Local economic development, Municipality*

Introduction

The latest research, establishes anti-corruption at the center of all kinds of public and private governance to understand phenomena such as money laundering or abuse of official position (state) for personal gain. It directly affects the provision of public goods and services, economic growth and the capacity / local authority. The most spread phenomenon of illegal trafficking was this corruption, as a result of the development of a specific strategy on the fight against corruption, commitment and the given support (a series of initiatives for the establishment of committees and groups common to combat this phenomenon) is achieved a considerable success.

As a result of the use of specific forms and methods in the investigation, there have been accomplishments in the fight against trafficking and other illegal activities.

Main courses that will focus on the fight against illegal trafficking are:

- The fight against human trafficking
- The fight against trafficking of arms and munition;
- The fight against trafficking motor vehicle
- The fight against trafficking works of art;
- Prevention and minimization of human trafficking

Prevention of Money Laundering

In order to prevent money laundering is intended to strengthen the fight against money laundering originating from illegal trafficking and terrorism, and for the decriminalization of economic activity in the area. This aims to raise the trust in the country and its economic system of law.

To achieve this goal it is required the good cooperation within domestic agencies working in this direction and with other countries to prevent the use of their financial systems for laundering of profits from criminal activities in general and their use for the purpose of financing terrorism.

Cooperation in this area will rely on the implementation of appropriate mechanisms and standards for combating money laundering and financing terrorism, focusing in particular on the standards of the European Union and other international instruments in this field. The existing institutional framework for the implementation of the obligations deriving from the legislation in force in the field of prevention of money laundering is responsible these structures:

a. The General Directorate for Prevention of Money Laundering (GDPML), which is in the role of the financial intelligence unit. The mission of this Department consists of:

- Prevention "money laundering" and countering the financing of terrorism by collecting, verifying, assessing, storing information in subjects of law, suspension and freezing of any actions aimed at preventing the transfer, alteration or property and products which derive from criminal activity.

- Co-ordination with other law enforcement agencies such as the Ministry of Internal affairs, General Prosecutor's Office, the National Intelligence Service and with foreign counterparts and international institutions

- Development of programs of cooperation and mutual assistance in the prevention of "money laundering" in different countries, based on international signed and ratified conventions³

³ Crosscutting strategy of the fight against organized crime, trafficking and terrorism - Sali Berisha

b. National Committee of Coordination of the Fight Against Money Laundering (NCCFAML). The Committee is chaired by the Prime Minister and consists of representatives from several state institutions, which has the task:

- Determination of general directions of state policy in the field of prevention of money laundering

- Review and analysis of 6 - monthly reports of activity carried out by the General Directorate for Prevention of Money Laundering as well as reports and documents prepared by international institutions and organizations that operate in the field of prevention of money laundering; Macedonian Bank (Supervision Department), which has the following specific powers: informing GDPML in case there are elements of money laundering, according to the same form and manner as provided for all entities defined by law ;

- Operation in full compliance with anti-money laundering programs;

- Checking and implementation of appropriate programs against money laundering; drafting and assisting in the development of guidelines or rules for detecting suspicious cases or client behavior

- M measuring the development and implementation of regulations needed to maintain the controls, penetration or entities that supervise interventions by the groups, criminal elements or their associates;

- providing specialized assistance and cooperation in the investigation and prosecution of cases of money laundering as required by the relevant authorities

- Notifying the authority responsible for any suspicion of money laundering⁴.

c. The Sector Against Money Laundering, in the Directorate for Fight against Organized Crime of the Crime Investigation Department, in the Ministry of Internal affairs. The task of this sector is the direction, coordination, control and practicing prevention, detection, documentation

⁴ Crosscutting strategy of the fight against organized crime, trafficking and terrorism - Sali Berisha

and cessation of criminal activity in the field of money laundering and economic crimes in the economic and financial field.

The General Directorate for Preventing Money Laundering carries out its activities with the aim of preventing and fighting money laundering, financing terrorism and financial crime in general.

Divided in two Directorates, the Directorate of Analysis and Monitoring and Directorate of Prevention and Surveillance, DPPPP performs the functions of a financial intelligence unit. It serves as a national center and is responsible for collecting, analyzing and allocation to the competent authorities for suspected money laundering and potential terrorism financing. Data collected from the financial information reported by the subjects contemplated in Law No. 8610, date 17.05.2006, "On Prevention Money Laundering", amended by Law no. 9084, dated 19.06.2009 "On some amendments to Law no. 8610, date 17.05.2006 For the Prevention of Money Laundering".

The report consists of: cases of financial transactions on the value provided by law, the suspected cases detected by the reporting entities and declarations of transition to "cash" inside and outside the borders of the Republic of Macedonia..

To fulfill the obligations laid down by the institutions that have signed this Memorandum and ratified international conventions, as well as to make possible: the identification, tracing, freezing, seizure and confiscation of money, assets, income and profits or products derived from criminal activity and mainly from organized crime and to penalize the members of that activity and the prevention of this phenomenon, was established the Contact Group composed of specialists from various institutions. This group consists of: General Director of FIU- in the role of the Chairman of the Group; Representative of the Ministry of Internal affairs (member); Representatives of the General Prosecutor (member); Representative of the National Intelligence Service (member); Representatives of the Bank of Macedonia (Member)

Members of this group implementing the legislation in force and in accordance with the object of work have full authority to collaborate in the areas of: exchange of information on

entities suspected for money laundering; developing the operational work programs common in the fight against money laundering and financing terrorism; Fast undertaking actions in terms of operating anti-crime to prevent any transfer or alienation of property derived from criminal activity; identification, verification, detection, tracking, blocking, freezing the funds made available to organizations that finance terrorist groups or terrorism; and measures defining common tasks to be taken over people and entities involved in the offense of money laundering in accordance with the criminal procedure of the Republic of Macedonia.

The departments of these institutions which follow the economic and financial crime, provide forms of cooperation to operate according to the requirements of the law to exchange information for individuals, physical and juridical people for whom is suspected that the origin of their wealth may be the result of a criminal activity; set the tasks for obtaining information on border crossing points in cases of disposal or entering the territory of the Republic of Macedonia cash foreign currency or traveler's checks; depending on the situations arising under concrete problems tasks on evaluation, necessity and importance of cooperation in the exchange of information; cooperate to discover documentation and identification of assets derived from organized criminal activities such as: trafficking of human beings, drug trafficking, arm trafficking, smuggling and fiscal evasion. Group meets not less than once a month for the preparation and making common tasks, and not less than once in three months in the presence of ministers and directors of institutions signatories to this Memorandum. Work results are made known to the Government. Members keep continuous relations with the heads of their achievements and problems are reported during the exercise of power.

In the framework of inter-institutional cooperation have been signed and MoU with HIDA and with the Office of Internal Audit and Anti-Corruption Council of Ministers. Decision no. 1, dated 23.03.2010 of the Council of Ministers established the National Coordination Committee for the Fight against Money Laundering under the direction of the Prime Minister and composed of members: the Attorney General, the Governor of the Bank of Macedonia, Minister of Foreign Affairs, Minister of Defence, Minister of Public Order, Minister of Finance, Minister of Justice

and the Director of the State Intelligence Service. The task of this committee is to define the general directions of state policy in field of combating money laundering / financing terrorism.

Macedonia is a member with full rights in the Egmont Group since 2011 and is represented by the Director General of GDPML. General Director of FIU-that is also the chairman of the permanent delegation at Moneyval, in the composition of which are also the representative of the Ministry of Internal affairs and the Ministry of Justice.

Corruption in Balkan countries

In transition countries the consequences from corruption are very serious. Developed countries that have managed their democratic policies and the ongoing economic upswing reduce corruption at a very low level and it does not represent a threat to the economy of the countries concerned.

Countries from which derives more corruption are countries that have oil resources as Iraq, Iran, Bangladesh etc. However the Western Balkan countries have a high degree of corruption, Serbia, Albania, Montenegro and Macedonia.

In Albania, we have witnessed the high degree of corruption. I quote former Albanian President Alfred Mojsiu in front of students of IUS "Corruption is present in Albania and it is made by people in power." Also, in addition to that we may have been the victim of a bribe we have not witnessed but it is worth mentioning by Fiks Fare editions which give us many cases of corruption - in healthcare case where for the the analysis and for other services is paid money; for passing an exam is paid money and you " pass" the exam , You dont have to pay for a traffic fine, you can simply pay to lease police and fines do not exist.

All these come as a result of poverty, low wages, unemployment where people for a little money are ready to make unwanted actions.

In Macedonia, we live in the country and there is not a significant difference from what we discussed above. Here corruption is a consequence of the suppression of Albanians by Macedonians as well as their discrimination. In our country the corruption is very present in

Customs where they openly take money to not open cars or to not wait in a queue. The Ministry of Internal Affairs have made some attempts to fight corruption which are in accordance with the laws of the European Union and has given to Macedonia a status of a serious candidate for membership in the European Union.

Past weeks in Macedonia ruthless checks were made by DAP for the fiscal accounts in small businesses "under the pretext to fight corruption and not paying taxes by businessmen".

I quote some of the news articles that have happened:

Department of Public Revenues urges citizens in the purchase of items and their services necessarily require fiscal accounts in order to ensure that the tax paid by consumers, does not end up in private pockets of someone. In recent controls tax inspectors, precisely because of profit at the expense of tax paying citizens, have closed 21 business facilities in Stip, 8 in Gostivar, two of which are individual businesses and were punished with 750 euros⁵.

Sixty-five percent of commercial buildings presented not real financial indicators and directly harmed the budget, indicated controls implemented last month by the Department of Public Revenue. Over 400 objects didn't present the full flow with cash of their work and paid less tax. DAP today announced that during the past two days have been closed 17 buildings in Skopje, of which four are the largest stores of furniture, located in Center, Chair and Butel. In one case it was filed a criminal charge due to unauthorized removal of the customs seal (stamp) on the closed facilities. Instead of paying fines, without authorization they have removed the straps and seals in closed facilities, then efforts have been made to prevent the control of the Directorate, the destruction of business documents, attacks and threats against taxation. DAP calls on taxpayers to provide tax bills, which is simpler and more convenient than fines⁶

Tax inspectors are prevented from performing their duty during the inspection in a market in Aracinovo, when taxpayers attempted to destroy financial documents when his firm has been subject to control. From a total of 11 commercial buildings in settlements Avtokomanda, Maxhari and Hasanbeg, is closed a familiar hotel in the center of Skopje. Financial control in

⁵ <http://alsat-m.tv/ekonomi/10133-dap-kerkoni-llogari-fiskale.html>

⁶ <http://alsat-m.tv/ekonomi/10100-dap-vazhdon-kontrollet.html>

Ohrid shows that dental activity is still at risk from a tax perspective. With their irregular work financial budget has undermined 8 were a subject to fines and suspension for performing. According to data and what it is found in the field from the beginning of the year, the biggest risk tax is observed in subjects engaged in sport activities, entertainment, among which, clubs winner, aerobic, followed by cosmetic and hairstyle studios , photo studios, betting while less dangerous are dental and ophthalmological operations⁷.

Red seals and yellow stripes of the Department of Public Revenue (DPR) with the sign "Closed by DAP", have closed hundreds of stores throughout the country. Closed restaurants, bars, shops for food, textile, shoes. Tax employees say they have launched the largest action and are ruthless to anyone who does not respect the laws. They warn inspections everywhere ranging from the slightest store.

"Non-issuance of fiscal cash accounts turnover or balance on hand and other concessions were found by inspectors during searches that were made the past few days. Across the country they have closed a number of stores ".

They are 150 tax inspectors, who from the beginning of the month closed hundreds of commercial buildings. 21 in Veles, 41 in Strumica, Gevgelija 23, 29 in Kumanovo, 69 in Skopje, 19 in Tetovo and 20 in Prilep. However, the action continues in the coming days.

Closed facilities by DAP

Veles	21
Strumica	41
Gjevgjeli	23
Kumanovo	29
Shkup	69
Tetovo	19
Prilep	20

⁷ <http://alsat-m.tv/ekonomi/10021-vazhdon-aksioni-i-kontrollimit-te-firmave-nga-dap.html>

“Despite the activity, selectively will be controlled business objects if they give an accountable fiscal policy, then if they cover and if they show real turnover of cash, and if they hold financial documents, ” is written in the explanation of DAP. However, those whose shops were fined and were closed are outraged. They don't want to talk on camera, but blame a selective battle and say that the government figured out how to fill the budget. They say for some are imposed strict penalties even for lesser violations. For such allegations by DAP say that despite attempts to pressure and qualifications in order to peeling local settling of scores and describing political and regional or any other connotation for the work of tax service, the Directorate will continue with the support of legal businesses and fighting the gray economy and non-payment of taxes⁸.

Citizens and businessmen believe that this is a policy of the government to fill the reserves of the state which has large debts (loans), and we supply it with money.

STIL REMAINS THE DILEMMA...

Little is known about prices, earnings and use of crime profits, which constitutes the basis for future investigations, eg in money laundering or confiscations. Taking into consideration that drug production, trafficking and street sale generates billions of Euros (or US Dollars), it seems that there is still a wide field to improve law enforcement.

Serbia reported related to the largest organized criminal group, called "Zemun Clan", which had six sub-groups covering sale through their own dealership networks. The clan leaders invested their proceeds, estimated in millions of Euros in movable and immovable property and luxury goods. To secure their business, using their vast power of financial, estimated at hundreds of millions of Euros, the clan bribed officials in the judiciary and the police, and founded a media outlet to influence public opinion. Illegal income from crime, seems to have been invested in privatization, real estate, commercial business, etc. ... Profits from the Macedonian market

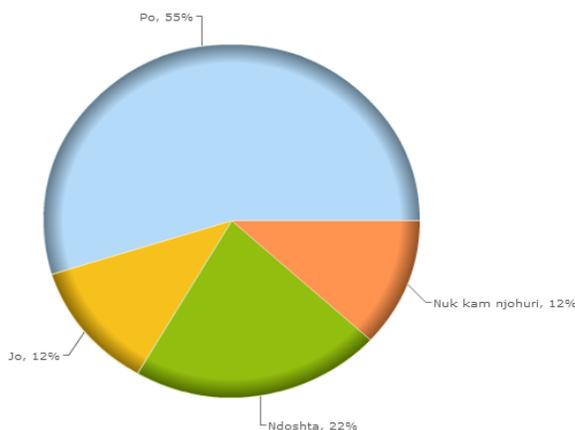
⁸ <http://alsat-m.tv/ekonomi/9885-dap-ka-mbyllur-dhjetera-objekte-afariste.html>

approach between 10-12 million. The total profit from UNODC, World Drug Report 2011; According to this study, the prevalence of cocaine has dropped by 20% less than in 1998. Zemun is a district of Belgrade. Offenses related to drugs can not be specified in more detailed way, given the lack of investigations into money laundering field.

Croatian criminal groups involve mixed structures, often lead by a person with a criminal record. Discipline is enforced through threats and violence mostly to force customers to pay their debts, through the withholding of criminal earnings. Members have a tendency towards other crimes such as the smuggling of arms and cigarettes and extortion. Received income is mostly spent in movable and immovable property, such as properties in tourist areas, and conspicuous lifestyle. Croatia agencies of law enforcement reported that organized criminals use various ways of protecting their activities, such as counter-surveillance, frequent use of coded messages and expressions during phone conversations and e-mails, frequent change of phone pre-paid cards, transnational activities, unlawful transfer of illegally gained money, across state borders and foreign banks.

Posing a question to municipal administration of the Municipality of Struga Do you believe that corruption exists in your municipality? they responded as follows:

A mendoni se egziston korrupsioni ne komunen tuaj



Ie: the majority of respondents said that corruption exists but rather by doctors for medical services.

CONCLUSION

I think that there is no state with less developed economies that is not corrupted. Due to unemployment, poverty and X and Y numerous reasons indicates people to do this action.

I can mention some cases who can stop corruption:

- Urge the Macedonian government to accept to work with institutions such as the Customs Department, the Health Fund and Ministry of Economy, including the Public Prosecutor's and Jurisdiction Office

- Support Anti-Corruption Commission
- Engaging Albanian parties and civil society in anti-corruption efforts
- Creating incentives for fighting corruption.
- Limit the scope of political parties to make appointments
- Not existing various interventions etc, etc.

All that was said above can be achieved with a little effort and great desire.

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